City and County of San Francisco

OFFICE OF THE CONTROLLER

MUNICIPAL TRANSPORTATION AGENCY: The Agency Has Not Adequately Controlled and Monitored Its Employees' Overtime

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November 27, 2000

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November 27, 2000 Audit Number 99034

Board of Directors
Municipal Transportation Agency
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102-4524

Chairman and Members:

The Controller's Audits Division presents its report on the audit of the overtime practices of the Municipal Transportation Agency (Muni) during 1998. The report concludes that Muni inadequately controlled and monitored its employees' overtime. Specifically, in 1998, Muni permitted some transit operators to operate its fleet of vehicles more hours than allowed by state regulation and to drive more hours than seem reasonable. Muni also incurred long-term costs when two of the employees whose records we reviewed accrued a considerable number of overtime hours and thus increased their monthly retirement benefits by more than $4,000 each. Muni increased both short-term and long-term costs to the City and County of San Francisco by scheduling more runs than it has operators to fill and by asking operators to work beyond their usual schedules. Moreover, Muni did not follow sound business practices when it allowed one acting supervisor to approve his own time records in 1998, a year in which this employee earned more than $38,000 in overtime.

Muni's response is attached to this report. The Controller's Audits Division will be working with Muni to follow up on the status of the recommendations made in this report.

Respectfully submitted,

Edward Harrington
Controller

cc: Michael T. Burns, General Manager

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RESULTS IN BRIEF

The Municipal Transportation Agency (Muni) of the City and County of San Francisco (City) inadequately controlled and monitored its employees' overtime. In calendar year 1998, Muni spent $30.7 million for overtime pay and had 30 employees who earned more than $100,000 because they worked a significant number of overtime hours. We investigated Muni's practices in authorizing overtime pay and focused our review on the 30 employees. Our review revealed that Muni allowed some transit operators to operate its fleet of vehicles more hours than state regulation allows and to drive more hours than are reasonable. Although state regulation directs light-rail vehicle operators to drive 12 consecutive hours or less, Muni allowed four of its employees to drive more than 12 hours a day for more than 500 days in 1998.

Not only has Muni incurred additional short-term costs for paying its employees overtime, but it also incurs long-term costs. Of the 30 employees who each earned more than $100,000 in 1998, 2 retired the following year. Both employees worked more than 2,000 total hours of overtime. Because they accrued a considerable number of overtime hours, their annual earnings were higher. The retirement benefits for each employee rose by more than $4,000 a month because the City was required to base calculations of these benefits on the employee's earnings from the year in which the staff member received the highest compensation.

Muni increases both short-term and long-term costs to the City by scheduling more runs than it has operators to fill. As a result, it resorts to asking its operators to work beyond their usual schedules. For example, for the quarter effective August 22, 1998, Muni had available only enough employees to fill 1,498 of the 1,555 runs it had scheduled. To fill the remaining 57 runs, Muni had to rely on its employees' volunteering to work overtime. According to Muni's deputy general manager of the finance and administration division, Muni must provide the number of runs indicated in the schedule approved by the Board of Supervisors even if Muni does not have a sufficient number of operators to staff those runs.

Further, Muni allowed one of its employees, who was acting as a supervisor, to approve his own time records in 1998, a year in which he earned more than $38,000 in overtime pay. Although it is an accepted practice within the City for supervisors to approve their own time records, we believe Muni should not allow this practice when an employee is approving so much overtime. Finally, Muni should assign extra work hours more carefully so that it does not allow one person to accumulate excessive overtime simply because this authorization of overtime is convenient.

Muni agrees with the overall conclusion of the report and is taking steps to address the recommendations in the report.

INTRODUCTION

The Municipal Transportation Agency (Muni) provides public transportation services in the City and County of San Francisco (City). Muni's transportation system consists of more than 1,000 light-rail vehicles, trolley buses, diesel buses, and cable car and historic streetcars. In fiscal year 1998-99, Muni's transportation system carried more than 680,000 riders each weekday, and more than 216.6 million riders during the year. Most of Muni's workforce of more than 3,500 full-time equivalent employees operate the various modes of transportation or provide maintenance to its fleet of vehicles.

During fiscal year 1998-99, Muni collected $106.3 million in fares from riders, but it spent $347.7 million to provide the transportation services. Muni made up the shortfall in its revenues from other funding sources, such as local taxes, licenses, and fines. It also received $68.7 million from the City's general fund.

Muni spends most of its funds on employees' salaries, fringe benefits, and overtime pay. Further, Muni has consistently devoted to overtime pay a significant portion of its funds for salaries. In fiscal year 1998-99, for example, Muni spent $258.4 million (71 percent) of its total expenditures for salaries and fringe benefits. Of this total, $30.7 million went to employees who worked overtime. For the three fiscal years from 1996-97 through 1998-99, Muni spent an average of $28.8 million each year on overtime pay, or 12 percent of its total yearly expenditures for salaries and fringe benefits.

Although we restricted our review to 1998, Muni continued to show the same overtime spending patterns in 1999. For example, Muni spent $31.6 million for overtime pay in 1999 for its employees and 34 of its employees earned more than $100,000 because they worked a significant amount of overtime.

SCOPE AND METHODOLOGY

At the request of Muni's general manager, and as part of its efforts to control the use of overtime in the City, the Office of the Controller (Controller) conducted a review of the practices that Muni uses to pay its employees overtime. Specifically, the Controller's Audits Division examined Muni's practices for awarding overtime that resulted in some employees' earning more than $100,000 each in 1998. We assessed whether Muni properly authorized and correctly paid the overtime.

To conduct the audit, we reviewed Muni's overtime policies and procedures. We assessed the adequacy of Muni's overtime procedures by testing the accuracy of employees' reported earnings by tracing paid hours from a sample of Muni's time sheets and records to the payroll records maintained by the Controller's Payroll/Personnel Services Division.

To determine whether Muni had sufficient need for employees to work the overtime, we interviewed Muni supervisors who approved the overtime for the employees. We also analyzed the quarterly bus schedules for August 1998 to conclude whether Muni had sufficient operators to meet its needs without incurring an inordinate amount of overtime. Finally, we evaluated whether the operators we reviewed complied with the California Public Utilities Commission's general order stating that safety-sensitive employees, such as Muni's light-rail vehicle operators, cannot remain on duty for more than 12 consecutive hours or more than an aggregate of 12 hours spread over a 16-hour period.

AUDIT RESULTS

THE MUNICIPAL TRANSPORTATION AGENCY PERMITTED SOME OPERATORS TO DRIVE MORE HOURS THAN STATE REGULATION ALLOWS

The Municipal Transportation Agency (Muni) for the City and County of San Francisco (City) permitted some operators to drive its vehicles more hours than state regulation allows or more hours than are reasonable. When we reviewed the time records of Muni's 30 employees who earned more than $100,000 because they worked significant overtime, we found that 7 employees were transit operators. Four of the 7 employees operated light-rail vehicles, and Muni permitted these 4 employees to drive more hours per day than state regulation allows. Furthermore, Muni allowed a cable car conductor to work more hours than state regulation allows. Muni categorizes as "safety-sensitive employees" all cable car employees and light-rail vehicle operators even though its conductors do not operate the cable cars. According to a deputy city attorney, Muni's violation of the state regulation could lead to the withholding of funds by the federal transportation agency until Muni has a plan in place to correct this condition. The remaining 2 of 7 employees drive buses. Although the 2 employees did not violate state law limiting the number of hours they can operate vehicles each day, Muni nevertheless allowed these individuals to work more hours than seems reasonable.

Muni Failed to Comply With the State Regulation Limiting the Hours Operators Can Work

Muni did not comply with the state regulation that limits the number of hours a public transportation employee may operate light-rail vehicles when Muni allowed four employees to exceed the limit on more than 500 days in calendar year 1998. Of the 30 Muni employees who earned more than $100,000 each in calendar year 1998 because of their overtime work, 4 employees were light-rail operators who together accumulated more than 8,000 hours of overtime that year. We reviewed time records for each of the two-week pay periods when the 4 employees worked a total of more than 80 overtime hours per pay period. Although a Muni operator should not work more than 12 consecutive hours, the 4 employees worked more than 12 hours daily on 518 different days (74 percent) of the total 701 days they worked during the year. Furthermore, the employees each worked more than 16 hours daily on 217 of the 518 different days.

According to the current superintendent of the Green Division, which is Muni's base of operations for light-rail vehicles, the former superintendent allowed employees to work more than 12 hours each on some days because Muni had of a shortage of light-rail operators. A dispatcher in the Green Division who is responsible for assigning employees to work overtime stated he was not aware of the 12-hour restriction until Muni's general

manager issued a memo about complying with the state regulation. The memo was dated October 8, 1999.

Nevertheless, Muni has more than 200 light-rail operators working out of the Green Division, and it does not appear reasonable that Muni could not find other employees to work overtime and thus comply with the state regulation on the maximum number of hours an employee may operate a vehicle each day. Muni's memorandum of understanding with the transit operators' union states that Muni will distribute overtime equitably among operators who indicate their willingness to work. Additionally, Muni has the right to determine whether an employee has worked more hours than is legal or safe. The union and Muni have not established a formal procedure for distributing overtime.

Although we investigated whether the employees' excessive work resulted in a higher percentage of accidents than is documented for operators who work just their regular assigned hours, we could not attribute the incidence of accidents to the 4 employees' working longer hours than they should. According to Muni's accident records, the 4 light-rail vehicle operators had eight accidents in 1998. Four of the eight accidents occurred when the operators worked more than 12 hours the day before the accidents. However, Muni classified all eight accidents as unavoidable. Muni defines as unavoidable those accidents in which the operators take all necessary precautionary actions to avoid the accidents. In 1998, Muni reported it had an average of 1.3 accidents per operator.

Finally, Muni also allowed one cable car conductor to work more than 12 consecutive hours a day on 117 days. Although conductors do not operate vehicles, the general manager's memo of October 8, 1999, indicated that cable car operations fall under the California Public Utilities Commission's general order limiting the hours that safety-sensitive employees should work each day. Therefore, Muni should not have allowed the cable car conductor to work more than 12 consecutive hours in a single workday.

Muni Allowed Other Employees to Operate Vehicles for Imprudent Amounts of Time

Muni not only violated the state regulation limiting the number of hours that employees operate light-rail vehicles each day, but it also allowed the two other employees we investigated to drive more hours than seem prudent. The two employees, who operate buses for Muni, accumulated more than 3,629 hours of overtime in 1998. We reviewed time records for each of the two-week pay periods when these employees worked more than 80 overtime hours per pay period. Of the 203 days we reviewed, the employees worked more than 10 hours daily on 163 days (81 percent).

The California Vehicle Code sets maximum hours that bus drivers can work in a day, and it prohibits bus operators from driving more than 10 hours a day unless they have had at least 8 hours of consecutive rest within a 24-hour period. Although we found no instance

during the 203 days we reviewed in which the employees violated this law, Muni nevertheless allowed the two employees to drive more hours each day than seems reasonable. For example, we identified 11 days in which the two operators drove more than 16 hours each day.

MUNI INCURS ADDITIONAL COSTS TO THE CITY BY NOT CONTROLLING OVERTIME ADEQUATELY

Not only does Muni incur extra costs for paying its employees overtime, but Muni also incurs long-term costs by not carefully monitoring the way it awards overtime. Two of the employees who earned more than $100,000 in 1998 retired the following year. These employees each worked more than 2,000 total hours of overtime in 1998, so they were each able to increase their retirement benefits by more than $4,000 a month.

According to the city charter, the City is to base the retirement benefits for an employee hired before November 2, 1976, on that employee's total earnings for the year in which the employee had the highest compensation, and the City is to include overtime earnings in the calculation of benefits. For an employee hired on or after November 2, 1976, the City cannot use overtime earnings to calculate the employee's compensation. According to the executive director of the Employees' Retirement System (retirement system) for the City, the system reviews the employee's earnings for each fiscal year to determine the year in which the individual received the highest compensation. The retirement system also examines the employee's earnings in the last full calendar year immediately preceding his or her retirement date.

The two employees who significantly increased their retirement benefits joined city service before November 2, 1976, and had worked considerable overtime in their last years of service with the City. The retirement system included overtime earnings in calculating the two employees' retirement benefits. One employee worked 1,100 hours of overtime in 1996 and then increased his overtime to 2,206 hours in 1998. Because he worked so much overtime in 1998, this employee boosted his retirement benefits from $2,340 a month to $7,700 a month. The other employee, who had worked 309 hours of overtime in 1996, increased his overtime to 2,291 hours in 1998. In this way, the second individual raised his retirement benefits from $2,400 a month to $6,800 a month.

The retirement system's executive director acknowledges that overtime increases costs to the City for those employees hired before November 2, 1976. Indeed, the total additional cost to the City can be significant. According to an analysis prepared by the executive director's staff, a typical transit operator who has 37 years of service and who works overtime can cause his or her benefits to jump from $2,800 per month to $5,500 per month because the retirement system must include overtime in the calculation of benefits. According to the retirement system's actuarial valuation as of July 1, 1999, Muni has 260 employees eligible to have overtime included in the calculations of retirement benefits.

MUNI INCREASES THE NEED FOR OVERTIME BY SCHEDULING MORE SERVICES THAN IT CAN PROVIDE

The high costs of overtime at Muni are partly attributable to the fact that Muni must schedule more runs than it has operators to staff. Consequently, it needs operators to work considerable overtime, or it must miss some runs. Muni provides transit services around the clock, seven days a week. Muni's schedule unit, which was within Muni's finance and administration division in 1998, bases the quarterly schedules of runs on the level of service approved by the Board of Supervisors.[1] In addition to using full-time employees to operate these runs, Muni also relies on other employees, known as "extra-board," who operate the runs during the full-time employees' scheduled days off and who fill in for operators who do not report to work for their assigned runs.

We examined the schedule established for the quarter effective August 22, 1998, and found that for the 1,555 runs it scheduled, Muni had available only enough employees to staff 1,498 of the runs. Muni had to rely on its employees' volunteering to work overtime so that it could staff the remaining 57 runs.

To fill all its scheduled runs, Muni estimates it needs about 1,983 operators, including 428 extra-board employees for the 1,555 runs it scheduled. According to the transit operator's union agreement, Muni needs to maintain a 27.5 percent ratio of extra-board employees to total number of scheduled runs. For example, during the quarter effective August 22, 1998, Muni assigned 1,825 employees to operate its vehicles: 1,498 as operators for specific runs and 327 as extra-board operators. Although Muni has numerous other operators on its payroll, they were not available to operate vehicles because 335 operators were on extended disability or sick leave, and 7 operators were excused from operating vehicles because they were serving as union representatives.

According to the deputy general manager of the finance and administration division, Muni must provide the number of runs indicated in the schedule approved by the Board of Supervisors even if Muni does not have a sufficient number of operators to staff those runs. He also stated that Muni now has more ability to change its schedules and service plan through the annual budget process. Further, he stated that Muni has begun reassessing all of its current schedules but will take 18 to 24 months to complete the review.

[1] The schedule unit is now within Muni's operations division.

MUNI NEEDS TO MONITOR MORE CLOSELY HOW IT APPROVES AND ASSIGNS OVERTIME

With Muni's current schedules, some employees must continue to work overtime hours. However, Muni is not ensuring that its supervisors monitor overtime properly, and the agency lacks effective methods for assigning overtime. We reviewed the time records of the remaining 23 of 30 employees who earned more than $100,000 in calendar year 1998 because they worked significant overtime. These employees do not operate vehicles and Muni classifies these individuals as miscellaneous employees. Our review disclosed that Muni does not use the best methods to assign or authorize overtime for some employees.

Two of the miscellaneous employees are electronic maintenance technicians. During 1998, one of the technicians acted as a supervisor who authorized the overtime of one of his subordinates but also approved his own overtime. Muni paid the supervisor $38,488 for working 736 hours of overtime in 1998. For example, for 3 two-week pay periods, the detailed time sheets showed that the employee, who was acting as the supervisor on a graveyard shift, approved both his own overtime and the overtime of the employee he supervised. The City allows supervisors to approve their own time records; however, we do not believe supervisors should be approving their own time records when their work has included significant amounts of overtime. Muni should provide sufficient supervision so that employees do not approve their own overtime pay.

Muni also needs to improve its procedures for assigning extra work hours to its transit supervisors so that the City does not incur unnecessary long-term overtime costs. Muni assigned considerable overtime to 17 transit supervisors in calendar year 1998 so that they each earned a total of more than $100,000. We examined the detailed time records for 8 of the 17 employees. Although we found that the managers had properly approved the overtime hours worked by the 8 transit supervisors, it appears that Muni needs to consider more carefully how it chooses transit supervisors to work overtime. In fiscal year 1997-98, Muni had budgeted 177 positions for transit supervisors. According to the superintendent in Muni's central control, which is Muni's communications center, shortages of supervisors in the various operating divisions in which Muni needs transit supervisors allow every transit supervisor who desires to work overtime to do so. Transit supervisors sign up to work overtime; however, the superintendent told us that when Muni needs a supervisor immediately, superintendents select someone whom they know is available and who has indicated a willingness to work any job. For example, the superintendent said that he often selected one supervisor because the individual expressed a willingness to work any amount of overtime and because he lives close to the operating unit. Interestingly, this employee was one of the two employees we identified earlier in this report who retired after 1998 and who was able to double his retirement benefits because he had worked so much overtime.

MUNI DID NOT SUBMIT REQUIRED OVERTIME REPORTS TO THE BOARD OF SUPERVISORS

Not only does Muni have weaknesses in its policies for assigning overtime, but Muni also employs a staff that has demonstrated its lack of knowledge about city regulations, and this shortcoming has undermined the City's ability to monitor overtime use at Muni. In 1999 and in previous years, Muni did not submit to the Board of Supervisors (board) required reports on overtime worked by Muni's employees. Such reports allow the board to determine whether Muni is adequately controlling employees' hours and pay.

The San Francisco Administrative Code, Section 18.13, requires the appointing officer of a department to submit biannual reports to the board justifying all overtime awarded in excess of 16 percent of the number of hours that an employee is regularly scheduled. This requirement does not apply to transit operators and supervisors in Muni, but it does apply to all other employees.

In 1998, Muni paid each of 218 miscellaneous employees more than the 16 percent limit and should have reported to the board that Muni had paid these employees more than $4.3 million for working 110,000 hours of overtime. According to the deputy general manager of the finance and administration division, Muni staff was unaware of the requirement and therefore did not file reports for 1998 and prior years. He also stated that Muni would prepare overtime reports in future years.

RECOMMENDATIONS

To ensure that the Municipal Transportation Agency (Muni) does not risk the safety of its employees or the public, it should take the following steps:

- Prevent transit operators from working more hours than state regulation allows or more hours than are prudent.

- Institute procedures to keep track formally of the number of hours worked by each transit operator and instruct dispatchers not to allow operators to work excessive overtime.

To ensure that it does not incur unnecessary overtime costs, Muni should take these actions:

- Consider both short-term and long-term costs when permitting employees to work significant amounts of overtime.

- Reassess its current transit schedules to determine whether it needs to reduce the number of runs it provides the public during each quarter. Muni should also determine whether it needs to hire more operators if it does not have a sufficient number of operators to staff these runs and meet the requirements for extra-board staffing.

- Ensure that any employee earning significant overtime does not approve his or her own time records.

- Make certain that it submits to the Board of Supervisors required reports on employees' overtime so that Muni complies with the San Francisco Administrative Code, Section 18.13.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Maureen Gannon, Audit Manager
Gani Soy

RESPONSE TO THE AUDIT

MUNICIPAL TRANSPORTATION AGENCY

San Francisco Public Transportation Department
401 Van Ness Avenue, Suite 334, San Francisco, CA 94102
Phone: 415.554.4129 Fax: 415.554.4143

November 22, 2000

Edward M. Harrington, Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Dear Mr. Harrington:

Our department would like to thank Nori Hirasuna and his colleagues for their analysis of Muni's overtime practices. I requested this review soon after my arrival as General Manager in mid-1999 in order to assist us in identifying ways to improve our performance. We are dedicated to providing a high quality of service to our riders as efficiently and cost effectively as possible, and I believe that external audits are an important element in helping to strengthen our business practices. We very much appreciate the assistance of the Controller's Office in this effort.

We agree with the overall conclusion by the Controller's Office that Muni's overtime controls need to be strengthened and that we need to decrease our use of overtime. Since 1998, which was the time period examined by your office, we have made many improvements to our performance in this area. However, controlling our overtime usage while striving to meet the level of service required by our riders and the service standards mandated under Proposition E represents a significant challenge for our organization and we are continuing to focus our efforts toward meeting that goal.

We have prepared responses to each of the recommendations provided by the Controller's Office, including a description of what actions have already been taken or are planned to resolve these recommendations. Again, I appreciate the efforts of the Controller's Office in its audit program in contributing to meeting our mission to provide a high quality, reliable, and cost effective transportation system.

Sincerely,

Michael T. Burns
General Manager
Municipal Transportation Agency

Attachment

I. Compliance with State Regulations Limiting Hours Operators Can Work

Recommendation: Prevent transit operators from working more hours than state regulation allows or more hours than are prudent.

Recommendation: Institute procedures to keep track formally of the number of hours worked by each transit operator and instruct dispatchers not to allow operators to work excessive overtime.

We agree that the violation of hours of service regulations is a serious matter. The California Public Utilities Commission (CPUC) issued a similar finding in its report released in January 2000. In response to the CPUC's findings, we immediately developed and implemented a corrective action plan to address this problem. As noted in the Controller's audit report, in October 1999 all Muni operations managers and dispatchers were advised of the hours of service regulations and notified that the rules must be strictly adhered to by all of our "safety sensitive" employees. Our current dispatching system permits the dispatchers to determine if a driver is approaching the maximum allowable hours and every effort is made by the dispatchers to make assignments and scheduling adjustments in conformance with the regulations. To monitor that violations are not occurring, division superintendents now perform regular reviews of operator work hour reports. In addition to the Operations Division's internal review program, Muni's System Safety section is slated to perform a comprehensive audit of rail and motor coach operations in early 2001 in order to further verify compliance with the regulations.

Finally, we are also exploring the possibility of using the City's new timekeeping system to assist us in tracking and assessing compliance with the work hour rules. If possible, modifications will be made to the system to permit an automated flagging system that will tell a dispatcher if an operator is slated to exceed the maximum hour limits within a 24-hour period.

II. Overtime Controls

Recommendation: Consider both short-term and long-term costs when permitting employees to work significant amounts of overtime.

This recommendation concerns the Controller's finding that two retiring employees significantly increased their lifetime retirement benefits by working high amounts of overtime in a single year. Currently the retirement benefit calculation for all City employees employed prior to 1976 bases benefit payments on an employee's highest year of earnings including overtime pay. This permits qualified employees to significantly increase their benefit payments by working a significant amount of overtime in a single year. Overtime assignments at Muni are made in accordance with current labor agreements. These agreements mandate that individuals who volunteer to work overtime be placed on a list. Overtime assignments are then given on a rotating basis in order to assure that all volunteers are given equal opportunity to earn overtime. However, under this process, the frequency with which a person gets selected for overtime depends on the number of other employees available to work and the amount of overtime available. By contract, we must follow this procedure and are not permitted to single out individual employees and refuse to assign those individuals overtime.

We believe that the best strategy to address the issue of employees accruing excessive overtime is to decrease the amount of overall overtime required. We are working to achieve this by filling vacant positions, decreasing turnover, reducing unscheduled absenteeism, and strengthening our overtime controls. As required under Proposition E we are developing a comprehensive program to reduce unscheduled absenteeism that will be released on January 1, 2001. For our non-operator employees we plan to use the increased authority granted to the agency under Proposition E to introduce attendance incentive programs as specific labor agreements come up for renewal. For operators, a wide range of actions have been taken or are about to get underway aimed at increasing the number of operators available for work. These are described in more detail in Section III below.

III. Scheduled Service and Operator Staffing

Recommendation: Reassess current transit schedules to determine whether it needs to reduce the number of runs it provides the public during each quarter. Muni should also determine whether it needs to hire more operators if it does not have a sufficient number of operators to staff these runs and meet the requirements for extra board staffing.

We agree that a shortage of operators available to staff our scheduled runs without relying on overtime is a problem. Unscheduled absences, attrition, a highly competitive labor market, and a significant portion of our operator workforce unavailable due to extended disability or sick leave all contribute to difficulty in reaching full staffing levels and a reliance on overtime to deliver scheduled service. However, we believe that the primary strategy to meet the level of service the public requires is not to reduce the level of service but instead to ensure that the required number of operators is available on a daily basis. We have taken a number of actions to bring the number of operators up to a sufficient level that are described below. We expect to begin seeing the positive results from these measures in the near future. At the same time, we are in the process of examining our currently scheduled level of service in an effort to provide more predictable service with realistic schedules. This re-assessment will provide us with the true number of operators required to operate the service. This could adjust the number of operators required to provide the service. We believe this two-fold approach will significantly impact this area.

A major component of our efforts to increase the number of operators available for service is a new transit operator contract recently negotiated under the authority granted to us under Proposition E. The new agreement contains many provisions that will take effect in February 2001 that are intended to increase the number of operators available. For example, included in the contract is a new Attendance Incentive Program that rewards operators with excellent attendance by allowing them to cash out a portion of their accumulated sick leave every year. To further discourage unscheduled absenteeism, the contract prohibits the use of unpaid sick leave until all paid sick leave and vacation balances are used and will no longer pay overtime to most operators who work on their scheduled day off if they have also called in sick during the regularly scheduled work week. Operators will also have more flexibility in scheduling time off for medical appointments and verifiable emergencies that will enable us to plan coverage ahead of time for operators who must miss work. Under the new agreement, in January 2001 we

anticipate that our roster of full time operators will increase when our part-time drivers take advantage of an option to convert to full-time. Adjustments to schedule assignments are currently being planned in order to fully utilize these operators. Finally, a Joint Labor Management Board will be established that will address the concerns that operators feel contribute to absenteeism.

Several other important measures deserve mention. An important part of reaching our goal of full staffing is that we fill vacant positions quickly. We have been working closely with the Controller, Mayor's Office and Department of Human Resources and internally to streamline and improve our hiring processes. Position requisitions for operators now remain active following employee separations. This gives us the ability to fill vacated positions almost immediately. Another step we have taken to increase the number of available operators has been to expand our training function and increase the capacity of our new operator training classes by 25%. Each class now enrolls 50 trainees compared to 40 trainees. Finally, in order to ensure that the maximum number of our operators is available for work, our safety and training programs are being enhanced to reduce the number of injuries to operators and accidents, and a Return to Work program has been instituted to bring operators back to work as soon as they are medically fit.

IV. Monitoring of Approval and Assignment of Overtime

Recommendation: Ensure that any employee earning significant overtime does not approve his or her own time records.

We agree that this practice is inappropriate. We have initiated an internal review of overtime authorization to verify that this practice is no longer taking place.

V. Submission of Overtime Reports to the Board of Supervisors

Recommendation: Make certain that it submits to the Board of Supervisors required reports on employees' overtime so that Muni complies with the S.F. Administrative Code, Section 18.13.

In compliance with this section of the Administrative Code, we will submit required reports to the Board of Supervisors beginning with the next reporting date of January 5, 2001.

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library
KPMG LLP